(c) Does not arise in view of the fact that investment by the alleged share holders has been held to be company's own unaccounted money.

Non-Clearance to the Jokadian Irrigation Project

*125. SHRI RAMCHANDRA KHUNTIA: Will the Minister of WATER RESOURCES be pleased to state:

(a) whether it is a fact that the Jokadian Irrigation Project on river Kharasrota and Bhimakund Project Anandpur Barrage in river Baitanahi could not be implemented for the last many years because Government did not give the clearance and necessary assistance; and

(b) if so, what are the reasons for the clearance and necessary assistance not being given?

THE MINISTER OF WATER RESOURCES (SHRI ARJUN SETHI): (a) and (b) The Government of Orissa has reported that the Jokadia Irrigation Project on River Kharasrota, Bhimakund Project as well as Anandpur barrage on River baitarani are at present in the survey and investigation stage. As such, the question of clearance and necessary assistance of Government of India for implementation of these projects does not arise.

RBI Guidelines for Recovery of NPAs

*126. SHRI V. V. RAGHAVAN
SHRI J. CHITTHARANJAN:

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has formulated any guidelines to recover the Non Performing Assets (NPAs) amounting to a whopping amount of Rs. 54,000 crores; and

(b) if so, the details thereof?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) Reserve Bank of India (RBI) issued guidelines in May 1999 for recovery of amounts outstanding in relation to Non-Performing Assets (NPAs) of the small scale industries sector, small business including trading and personal segment and agricultural Sectors. The scheme of recovery outlined in these guidelines is valid till September 30, 2000. Action has been initiated by Reserve Bank of India to issue guidelines relating to recovery of outstanding amounts in NPAs covering all sectors.

(b) A copy of the guidelines issued by the RBI on 27th May 1999 is enclosed.

Guidelines issued by R.B.I.

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RESERVE BANK OF INDIA
CENTRAL OFFICE
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT
CENTRE 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI-400 005

DBOD. BP. BC. 57/21.01.040/99

May 27, 1999
Vaishakha 1921 (S)

Chairmen and Managing Directors
of all Public Sector Banks,

Dear Sir,

Guidelines for constitution of Settlement Advisory Committees (SAC)

Please refer to our Circular DBOD. No. BP. BC. 81/21.01.040/95 dated 28th July 1995 setting out the guidelines to be followed by banks while entering into compromise settlements of non-performing advances. The present system and procedures of compromise settlements in banks for recovery of NPAs has been observed to be long drawn. There are also reports of considerable reluctance on the part of the bank officials to take decisions on compromise proposals. As a result, the NPAs of public sector banks continue to contain very large number of chronic cases which are ton effectively pursued for various reasons. There were as many as 5.31 lakh cases filed by the public sector banks for amounts aggregating Rs. 23915.21 crore pending disposal with various Courts.

2. The Finance Minister while presenting the Union Budget for 1999-2000 has also observed that Public Sector Banks would be encouraged to set up

Settlement Advisory Committees so that chronic cases, specially those relating to the small sector are settled in a timely and speedy manner. In this connection, a reference is also invited to paragraph 70 of the Statement on Monetary and Credit Policy for the year 1999-2000 forwarded vide Governor's letter MPD. BC. 185/07.01.279/98-99 dated April 20, 1999. The following Guidelines have accordingly been drawn up for constitution of Settlement Advisory Committees and compromise settlement of NPAs of small sector by the Public Sector Banks in order to reduce pendencies and enable banks to vigorously pursue other relatively large cases.

Coverage of the Guidelines

3. The guidelines will apply to all non-performing accounts, which are chronic and at least 3 years old as on March 31, 1999 and will be operative only up to September 30, 2000. NPAs which were not yet 3 years old as on March 31, 1999 and those arising after 31.3.1999 will not be covered. It will apply to borrowers in the Small Scale Industries Sector, Small Business including trading and personal segment and Agricultural Sector, where the accounts have become non-performing. However, cases of fraud and malfeasance will not be covered. Cases pending before Courts as well as DRTs may also be covered. However consent decree to reflect the compromise settlement may be obtained from the Court/DRT in such cases.

4. It may be emphasised that banks will continue to follow their existing recovery procedure for large and medium scale borrowers as well as other borrowers not covered under the present guidelines. In these cases the normal channels of recovery should continue to be vigorously pursued. It may be mentioned that some of the banks have already constituted Settlement Advisory Committees at head office level under the chairmanship of a retired High Court Judge or other eminent persons. Other banks who wish to do so, may also set up similar Advisory Committees for large and medium scale borrowers.

Settlement Advisory Committees
Constitution of SACs

5. SAC comprising officials of the bank may be constituted by the Board at Head Office and Zonal Offices. In case of banks which do not have Zonal Office, SAC may be set up at regional office level. The official sanctioning the particular loan which has become NPA should not participate in the SAC meeting where that loan is under consideration for settlement. The Settlement Advisory Committee (SAC) constituted as above, may review all cases of NPAs of the above category of borrowers in their area of operations and process compromise proposals speedily.

Functioning of SAC

6. The Boards of banks may draw the broad guidelines and procedures for the functioning of SAC. SACs should be authorised to sanction compromise settlements within the powers delegated to the Chairman of the SACs. For covering majority of the cases of compromise settlement by the SACs to be set up or the existing SACs which are functioning in some banks the powers of CMD for waiver/write-off is proposed to be raised to Rs. 50 lakhs. Banks may fix suitable limits to be exercised by Zonal or Regional Managers. These powers are to be exercised only on the recommendation of concerned SAC.

Guildelines for settlement

7. Reference date for the purpose of compromise settlement, in respect of eligible small scale unit (see para 3) could be the amount outstanding as on the date of transfer to the protested bills account or an account of similar nature or the amount as on the date on which the account was first categorised as sticky or NPA, as the case may be. Having regard to the realisable value of collaterals held in an account and the time and cost involved in realisation of the collateral, terms of compromise settlement could include waiver of the compound and penal rate of interest and charging of simple interest @approximately 10 per cent per annum from the material date. No compromise settlement under these guidelines should be entertained in cases where there is evidence of fraud or malfeasance.

8. The amount of settlement arrived at should normally be paid in one lumpsum. In deserving cases where the borrowers are unable to pay the entire amount in one lumpsum, banks may consider extending the period of time of repayment which should not exceed a period of 1 year from the date of settlement. However, in such cases the borrower should pay at least 25 per cent of the amount of settlement up front on the date of settlement. The Board of Directors of banks may lay down norms for compromise settlements and frame suitable guidelines for SAC keeping in view the above aspects.

9. The Board should review the decisions taken by the SAC and also ensure that the process of settlement is complete within a period of 6 months. A copy each of the Review note put up to the Board on the functioning of the SAC and the details of compromise settlements made under the above proviso may be forwarded to the RBI in the format enclosed.

Please acknowledge receipt.

Yours faithfully.
(A. GHOSH)
Chief General Manager.

Details regarding the compromise settlement effected by the bank in respect of advances to small sector

for the half year ended.....

Name of the bank: (Rs. in thousands)

Category of Borrowers	Number of cases	Amount Outstanding	Amount of notional Interest calculated but not charged to the account	Amount of compromise settlement
(i) Small Scale Industry				
(ii) Small business including small road transport operators				
(iii) Professionals for professional use				
(iv) Agriculture including animal husbandry				
(v) Business enterprises				
(vi) Government sponsored schemes viz., IRDP, PMRY, etc.				
Total for the half year Cumulative				
Total for the financial year				